



Academic Service Center Policy

Policy Statement

Academic Service Centers are units within Harvard departments or centers that charge for goods or services that directly support the research or academic mission of the University and recover costs through charges to internal and external users. All Academic Service Centers are expected to recover no more than the aggregate costs of their operations through charges to users. All Academic Service Centers must be able to demonstrate compliance with federal requirements, and cannot use fee structures that discriminate against federal and other funding sources.

Reason for Policy

As a recipient of federal funding, the University must comply with the U.S. Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 C.F.R. §200) (“Uniform Guidance”). In accordance with Uniform Guidance, Subpart E (§200.468), our policy requires that all Academic Service Centers charge customers using federal funds to pay for services according to actual usage and only recover costs and not make a profit. Non-compliance could result in Government-imposed fines or disallowed costs. In addition, non-compliance could harm the University’s reputation and reflect negatively on future grant proposals. Academic Service Centers are reviewed and tested annually as part of the single audit required by Uniform Guidance, Subpart F Audit Requirements (§200.500).

Who Must Comply

Any Harvard University school/tub or unit operating an Academic Service Center (see definitions and glossary) must comply with this policy. This policy applies to Academic Service Centers that meet *at least one* of the following criteria: (1) Total operating expenses of \$100,000 or more per year, or (2) Charges to federally funded awards of \$75,000 or more per year. Academic Service Centers that do not meet the threshold must be able to demonstrate their exemption with financial detail from the most recent fiscal year and are subject to school-level review at any time. This review may include, but is not limited to, evidence of strong financial oversight and continuous compliance monitoring. Non-



academic service centers, central service units, and other fee-for-service units are not covered by this policy but must comply with the Uniform Guidance, other federal requirements and all other relevant University policies. Approval is required from your local school/tub-level official before establishing and operating an Academic Service Center. Please refer to the Service Center Procedures Manual for guidance on establishing a new Academic Service Center.

Responsibilities

Local-level Managing Units are responsible for oversight of ongoing operations and compliance with this policy.

Local-level Managing Unit responsibilities include:

- Initiate establishment of new Academic Service Centers with school/tub financial officers
- Account for the operations of the Academic Service Center and report on revenues, expenses and balances generated by Academic Service Center activities annually
- Review financial information mid-year to ensure breakeven or necessity to change rates
- Calculate rates, at least annually, based on estimated expense data and projected usage
- Complete the “Harvard University Service Center Annual Rate Documentation Form” (or alternative documentation) and submit annually to the school/tub financial officer
- For Academic Service Centers that include depreciation as a component of expenses, create and maintain information on equipment purchases and applicable depreciation
- Ensure that space files and equipment inventories are up to date
- Ensure that rates comply with the guidance in this policy and are reported and reviewed by school financial officers

School/tub-level responsibilities include:

- Review and approve rates, account for subsidies, record depreciation and F&A charges, and account for any accumulated depreciation reserves
- Review the annual financial results for Academic Service Centers including classifications of income and expenses to ensure that the balance forward is within the recommended 15% margin
- Ensure Academic Service Centers that include depreciation as a component of expenses, create and maintain information on equipment purchases, as well as applicable depreciation and ensure depreciation entries are sent to the Office for Fixed Asset Accounting
- Assist with internal and external audits including the annual audit of Academic Service Centers
- Maintain a current Academic Service Center list
- Approve the creation and/or dissolution of Academic Service Centers and request new general ledger accounts as needed
- Responsible for any local changes to the procedures manual

Central Responsibilities include:

- Provide guidance and assist with oversight by the Office for Sponsored Programs
- Assist with coordination and clarification of policy

- Maintain policy

Procedures

Refer to the Academic Service Center Procedure Manual for additional operational and financial information.

Financial Considerations

Components of Costs in Rate

All costs, subsidies, and revenue relating to a service center must be accounted for within the general ledger.

Separate Accounting

All Academic Service Centers are required to maintain Harvard general ledger account codes that are sufficiently segregated and detailed to facilitate the financial reviews required by this policy.

Rate Development and Breakeven Considerations

An Academic Service Center must develop rates so that revenues do not exceed expenses for services provided to customers who use federal funds to pay for services. An Academic Service Center's surplus or deficit for a given fiscal year cannot exceed 15% of annual operating expenses. To the extent that a surplus or deficit for a fiscal year is within the break-even range of +/- 15%, that surplus or deficit must be carried forward and the rate calculation for the subsequent year must include the adjustment. If a deficit exists beyond the break-even range of +/- 15%, it may be necessary for the department or center to cover the deficit from unrestricted funds. The rate development process varies with the size and complexity of each Academic Service Center and is often coordinated with departmental, school/tub, and University budget cycles.

In certain circumstances, the initial break-even time frame needed to cover start up costs is longer than the first year of operations of an Academic Service Center. Initial break-even periods of 2 years are allowable. Requests for a break-even period longer than 2 years must be included in the form called the "Harvard University New Service Center Request Form" and be approved by the school.

When it appears that the operating results will exceed the 15% break-even range at fiscal year-end, the service center should adjust its rates. A mid-year review is strongly recommended. If, at fiscal year-end, the service center's operating results exceed the 15% break-even range:

- **Surpluses** beyond the 15% range must be eliminated through rate adjustments.
- **Deficits** beyond the 15% range must be funded by an unrestricted fund; the amount is transferred into the service center account as a subvention.

Non-discriminatory Rates

An Academic Service Center must charge all internal users at the same rate for the same level of services or products purchased in the same circumstances. Rates must not differentiate among internal users. The use of special rates, such as for high volume work or off-hour usage, is allowed, but the special rates must be equally available to all users.

External users, however, may be charged a higher rate that includes the facilities and administrative costs of the Academic Service Center. Additionally commercial customers may be charged rates above the total direct and indirect costs. Funds generated by incremental charges to external customers must be used exclusively to support the Academic Service Center and the school's F&A costs. No funds can be transferred outside the service center or the related support fund accounts.

Subsidized Users and Subsidies

Services provided to all users must be accounted for and charges must be based on total costs and actual usage. If an academic unit chooses to provide a service to a particular internal group of users at a subsidized rate this cannot affect the annual rate calculations. The Academic Service Center billing rate must be calculated for all users based on total Academic Service Center expenses and total units of output. Subsidies are applied after the total rates are calculated and are recorded within the Academic Service Center account.

Pricing for Multiple Services

An Academic Service Center is required to perform and document the rate calculation for each type of service it provides. Academic Service Centers with multiple services must ensure that there is no cross-subsidization between user groups. Combining the results of various services is not acceptable if the mix of users for each service is different.

Service Center Annual Rate Documentation Form

Each Academic Service Center is required to document its rate calculations annually by completing the "Harvard University Service Center Annual Rate Documentation Form" or provide alternative documentation. The purpose of the form is to document the use of the general ledger and provide the information used in rate calculations (anticipated volume, expenses, inclusion of carry forward balances). This information will be reviewed and utilized by individuals outside the Academic Service Centers, including the department financial managers and school/tub financial officers.

Billing Procedures

Billing must be based upon measured and documented utilization. All billing must be processed on a timely basis at established Academic Service Center rates. All invoices must include the name of the services/goods provided (e.g., genetic sequencing or glass washing), - the number of units (e.g., pounds, hours, # of items), and the amount charged per unit. The user of the services is responsible for documenting the purpose of the charge and the allocability of the expense to the funding source. The Academic Service Center is responsible for the proper use of the object codes related to the recording of revenue and expense.

- Billing cannot occur until the goods or service has been rendered
- Academic Service Centers should provide appropriate supporting invoicing documentation
- Each Academic Service Center must bill in the proper fiscal year on a timely basis.

- Academic Service Center revenues from internal users must be recorded using the expense object codes established by the accounting policy (object code range: 6000-8999). (See the Harvard University Internal Billing Policy).
- Revenues from external customers must be recorded in revenue object codes (object code range: 4000-5999).

Mid-year Review

The local level managing units are responsible for evaluating their financial performance throughout the year; at least one interim rate review should be performed during each fiscal year. Rates may be adjusted at mid-year or at any other points during the year if the Academic Service Center determines that they will be out of compliance with respect to break-even without a rate adjustment. Proper documentation is required for rate adjustments.

Transfers

Academic Service Centers may not transfer surplus balances. Balances must be carried forward in the Academic Service Center's operating account and included in calculating subsequent years' rates and break-even position. The only exceptions are incremental charges to external customers that can be transferred to a Service Center Support Fund and used to offset future expenses, purchase equipment, or cover deficits.

Year-end Rate Performance Review

At fiscal year end, all Academic Service Centers are required to submit the actual financial results to departmental financial managers and school/tub-level responsible official.

Record Retention

Academic Service Centers must retain financial documentation. For additional information, see the University General Records Schedule.

Definitions

Academic Service Centers - Units within Harvard departments or centers that charge for goods or services that directly support the research or academic mission of the University and recover costs through charges to internal and external users. Note that Academic Service Centers must meet *at least one* of the following criteria: (1) Total operating expenses of \$100,000 or more per year, or (2) Charges to federally funded awards of \$75,000 or more per year. Academic Service Centers that do not meet the threshold must be able to demonstrate their exemption with financial detail from the most recent fiscal year and comply with the Uniform Guidance, all federal requirements, and other University policies.

Central Service Units - Separate operating units that are generally not part of academic tubs and provide services to the entire University community. Examples of central service units include

University Dining Services, Harvard University Information Technology, and Harvard Real Estate Services. Central service units are not covered under this policy.

Specialized Service Centers “SSC” - A category of Academic Service Centers with annual operating expenses of more than \$1 million or that provide highly complex or specialized services to a select group of users. The billing rates for these centers are based on their direct operating costs and an allocated portion of F&A costs. If the F&A is not included in the service center, rates these amounts must be covered by other school/tub funds and excluded from the federal F&A calculations. SCCs are called Specialized Service Facilities “SSF” in Uniform Guidance, Subpart E (§200.468).

Subsidy – Financial support for a service center that is not generated by the sales of goods or services.

Subsidy (User) – Funds provided to a service center to cover a deficit when a certain group of users is charged a rate that is lower than the full rate charged to unsubsidized users. For example, subsidies may be provided by a specific department that wishes to subsidize only users from that department. The service center recovers the full cost of services provided to subsidized users by charging the difference between the full rate and the subsidized rate to the department providing the subsidy.

Subsidy (Service Center) – Funds provided to a service center to cover operating costs or deficits. Subsidized users are charged a rate that recovers less than the total cost of the center’s goods or services.

Users – Purchasers of services can be internal or external to the University.

Internal users - Academic users who pay for goods or services using Harvard’s general ledger 33-digit account coding

External users/commercial customers - An entity or person that is legally separate from Harvard that typically purchases goods or services for reasons of convenience, quality, or uniqueness of goods or services offered. Examples include PIs at affiliated hospitals, commercial research labs, collaborators at other institutions and non-consolidating tubs.

For additional terms, please refer to the Academic Service Center Procedures Manual.

Related Documents

[University General Records Schedule](#)
[Sales Tax Guidance](#)

Related Documents

[Academic Service Center Procedures Manual](#)
[FAQs for Costing of NIH-Funded Core Facilities](#)

Forms

[Harvard University New Service Center Request Form](#)

[Harvard University Service Center Annual Rate Documentation Form](#)

Contacts and Subject Matter Experts

Faculty Arts and Sciences-[Nuala McGowan](#)

Harvard Medical School- [Nadège Volcy](#) White

Harvard School of Public Health-[Kristie Froman](#)

School of Engineering and Applied Sciences-Carleen Brunelli

For all other school/tubs, contact the Office for Sponsored Programs- [Sarah T. Axelrod](#)

Revision History

November 2013 – *Who Must Comply* section revised to clarify academic service center and exemption thresholds

December 2014 – *Who Must Comply* section revised to state that service centers not subject to the policy may be reviewed at any time, Uniform Guidance references added, and contacts updated